

OTTER TAIL POWER COMPANY
 Electric Utility - State of South Dakota
 DEVELOPMENT OF GROSS REVENUE CONVERSION FACTOR

Exhibit ____ (TAA-1), Schedule F-2
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Definition: The incremental amount of gross revenue required to generate an additional dollar of operating income. Gross earnings fees included.

Line_No.	Description	% of Incremental Gross Revenues
1	Federal Income Taxes	21.00%
2	SD Special Hearing Fund Assessment	<u>0.15%</u>
3	Total Tax Percentage	<u><u>21.15%</u></u>
4	Operating Income % = 100% - 21.00%	= 79.00%
5	Gross Revenue Conversion Factor $(1/(1-.21-((1-.21)*.0015))$	= <u><u>1.267724</u></u>